

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

NORTHMOBILETECH, LLC,

Plaintiff,

v.

OPINION AND ORDER

11-cv-287-wmc

SIMON PROPERTY GROUP, INC.

and

SIMON PROPERTY GROUP, L.P.,

Defendants.

This patent enforcement suit was dismissed at summary judgment and final judgment was entered in defendants' favor on August 29, 2012. (Dkts. ## 269, 295, 304.) The court revisits the case now in order to tie up remaining loose ends. At several earlier points in the proceedings, the court awarded then-undetermined attorneys' fees and costs incurred by defendants in opposing plaintiff's varied misconduct during the course of this litigation. The court's first task is to determine the reasonableness of these requested fees and costs, and then to enter judgment for defendants on those awards. The court's second task is to decide the merits of defendants' most recent motion for sanctions, which is substantially more ambitious than previous motions in arguing that the *entire* lawsuit was frivolous and in seeking reimbursement of *all* fees and costs incurred in defending this action. After considering the parties' submissions, the court will award defendants \$15,394, \$143,650.73, and \$59,497.55 on their first, second and third requests for fees, respectively. The court will deny defendants' motion for an award

of all fees and costs as a further sanction, but will order \$150,000 in additional sanctions in light of other, documented misconduct by plaintiff during the course of this litigation.

OPINION

I. Defendants' Motion for Fees Pursuant to Court Order

A. Docket #205

On May 25, 2012, plaintiff filed an expedited motion for a protective order in response to defendants' discovery demands. (Dkt. #193.) This court substantially denied the motion and shifted costs pursuant to Federal Rule of Civil Procedure 37(a)(5)(B). (Dkt. #205). Simon then submitted a request for \$18,682.00 in attorneys' fees, comprising 30.5 hours billed by an associate at \$500/hour, 4.5 hours billed by a partner at \$576/hour, and 2 hours billed by a non-attorney editor at \$145/hour. Plaintiff opposes the request, challenging the reasonableness of both the billing rates and the number of hours, and asserting that the attorney timesheets reflect duplicative billing and charges for tasks that are not recoverable under Rule 37(a)(5)(B).

Unless circumstances warrant otherwise, Rule 37(a)(5)(B) states that when a motion for protective order is denied, the court "must" require the moving party (or the attorney filing the motion) to "pay the party or deponent who opposed the motion its reasonable expenses incurred in opposing the motion, including attorney's fees." There is a strong presumption that the lodestar figure -- the product of reasonable hours times a reasonable rate -- represents a "reasonable" fee. *Hensley v. Eckerhart*, 461 U.S. 424, 437

(1983). The side requesting the fee bears “the burden of establishing entitlement to an award and documenting the appropriate hours expended and hourly rates.” *Id.*

Reasonableness of rates is judged against “the market rate for the services rendered,” making an attorney’s actual billing rate presumptively the market rate. *Pickett v. Sheridan Health Care Ctr*, 664 F.3d 632, 640 (7th Cir. 2011) (quoting *Denius v. Dunlap*, 330 F.3d 919, 930 (7th Cir. 2003)).¹ Thus, although plaintiff is correct that \$500/hour for an associate with nine years of litigation experience is high for the Western District of Wisconsin, it appears to be this attorney’s *actual* market rate (and a fairly standard rate for patent associates in the New York market where he is based). “[I]f an out-of-town attorney has a higher hourly rate than local practitioners, district courts should defer to the out-of-town attorney’s rate when calculating the lodestar amount.” *Mathur v. Bd of Tr. of S. Ill. Univ.*, 317 F.3d 738, 743-44 (7th Cir. 2003).

When the circumstances warrant, the court does have the discretion to “allow only an hourly rate which local attorneys would have charged for the same service.” *Id.* (quoting *Chrapliwy v. Uniroyal, Inc.*, 670 F.2d 760, 767-68 (7th Cir. 1982)). But the court declines to do so under the circumstances of this case. Defendants did not choose to litigate in Madison, they were dragged here by plaintiff. The court will not punish

¹ While *Pickett* also says that the “fee applicant bears the burden of ‘produc[ing] satisfactory evidence—in addition to the attorney’s own affidavits—that the requested rates are in line with those prevailing in the community,’ 664 F.3d at 640 (quoting *Blum v. Stenson*, 465 U.S. 886, 895 n. 11 (1984)), the party requesting fees may meet this burden with evidence of a reliable market mechanism to set an hourly rate. However, additional proof may be required as to market rates where the attorneys involved normally work for percentage contingency fees or in areas of law where statutory fee shifting is the primary source of attorney compensation.

defendants for using their preferred counsel, who happen to work in a more expensive market than this one.

Plaintiff also argues for a lower rate on grounds that defendants unreasonably put experienced -- and expensive -- attorneys to work on a so-called “routine” discovery dispute. This argument loses much of its force when one considers that defense counsel made these staffing decisions before knowing that they could shift the cost to plaintiff. Further deflating is the obvious retort that had plaintiff put more experienced, reasonable lawyers in charge of responding to defendant’s discovery requests, plaintiff might have avoided this expense for *both* sides. Finally, this court is looking for basic “reasonableness,” a standard that does not require it to minutely scrutinize how clients and their law firms choose to measure the importance of a particular dispute or allocate attorney resources, matters so context- and individual-specific as to strain the court’s competence. Perhaps such a review would still be warranted when work assignments are facially inappropriate, but here the senior associate and partner involved were not sorting documents, photocopying or other clerical tasks.²

Next, plaintiff argues that some of the hours billed are not compensable because they were either for work unrelated to the Rule 37 motion or for work that would have been done regardless of that motion. *See* Fed. R. Civ. P. 37(a)(5)(B) (requiring

² For this reason, the court will not second-guess defendants’ staffing decisions, notwithstanding that other district courts may have attempted to do so on the facts before them. *See, e.g., Catapult Comm’s Corp. v. Foster*, No. 06C6112, 2009 U.S. Dist. LEXIS 76677, 2009 WL 2707040, at *4 (N.D. Ill. Aug. 25, 2009) (finding that assigning \$400/hour partner to work on a simple discovery motion was unreasonable); *Am. Camping Ass’n v. Camp Shane*, No. 06 Civ. 0176, 2006 U.S. Dist. LEXIS 50379, at *8, 2006 WL 1982770, at *3 (S.D.N.Y. 2006) (cutting back fees for overstaffing of a matter).

reimbursement for time “incurred in opposing the motion”); *Lorillard Tobacco Co. v. Elston Self Serv. Wholesale Groceries, Inc.*, 259 F.R.D. 323, 329 (N.D. Ill. 2009) (amounts not related to the discovery motion itself not compensable under Rule 37); *Primex, Inc. v. Visiplex Techs., Inc.*, 05-C-515-S, 2006 U.S. Dist. LEXIS 7275, at *8 (W.D. Wis. Feb. 24, 2006) (party may not recover in Rule 37 fee award for tasks that would have been performed regardless of the discovery motion).

The court’s attempt to review the billing records submitted by defendants’ counsel is frustrated by their apparent practice of billing (or at least submitting in court) in undifferentiated blocks of time in which they claim to have accomplished multiple tasks, some of which are directly related to the Rule 37 motion and some of which are either plainly unrelated or, at least questionable. For example, defendants submit a bill for a 6.7 hour block of Attorney Caixeiro’s time on May 25, 2012, in which he performed the following work: (1) drafting and editing an email to plaintiff’s counsel, which summarized the parties’ meet and confer conference concerning Simon’s 30(b)(6) notice and “miscellaneous other discovery topics”; (2) reviewing the Smith deposition transcript “in connection with same”; and (3) work in response to the Rule 37 motion. Only the last of these three tasks seems to be directly eligible for reimbursement, although likely a good portion of the meet and confer conference was devoted to the squabble that ultimately produced the Rule 37 motion and may *arguably* be compensable. However, since the issue is at best unclear, block billing is an increasingly discouraged practice, and the burden rests on the requesting party to “maintain billing time records in a manner that will enable a reviewing court to identify distinct claims,” *Hensley*, 461 U.S. at 437,

the court will not award the full number of requested hours. As a result, 3 hours of Mr. Caixeiro's time will be subtracted from the May 25, 2012, billing log.

Plaintiff raises similar objections as to many of Mr. Caixeiro's other time records, some of which are valid and some not:

- The court will not subtract any time from Mr. Caixeiro's May 27, 2012, hours, although the bill includes time spent reviewing the Smith deposition transcript, a job that plaintiff claims would have been done even if no Rule 37 motion had been filed. Even assuming defendants otherwise would have had to review the Smith transcript, it would have been for a very different purpose than preparing a brief in opposition to a motion to compel. Thus, the work was not duplicative.
- The court will subtract 3 hours from the 5.8 hours of undifferentiated time Mr. Caixeiro billed on May 29, 2012, because part of the time was spent drafting an email to plaintiffs' counsel concerning conditions for taking a 30(b)(6) deposition that was neither sent, nor appears to be directly related to opposing the Rule 37 motion.
- The court will not subtract any time from Mr. Caixeiro's May 31, 2012, hours, even though part of the time was spent "gathering exhibits." Plaintiff characterizes this as an administrative task not suitable for lawyer, but this is not the case in all situations and the court is not going to delve into the details to attempt to differentiate between the two.
- The court will not subtract any time from Mr. Caixeiro's June 7, 2012, hours. The time was spent preparing for oral argument on the Rule 37 motion, an argument at which Mr. Caixeiro did not speak. This does not mean that the time was wasted -- it

may have led to productive briefing of Mr. Jones, who did speak, or it may have allowed Caixeiro to assist Mr. Jones during the meeting, albeit off the record. Again, the court will not delve further into the matter.

- The court will subtract 0.5 hours from the 1.0 undifferentiated hour that Mr. Jones billed on May 25, 2012, because a portion of the time -- reviewing and editing Mr. Caixeiro's meet and confer correspondence -- is not related to the Rule 37 motion and is not recoverable.

Finally, plaintiff argues that in addition to being unrelated to the Rule 37 motion, the hours billed are simply excessive. See *Stark v. PPM Am., Inc.*, 354 F.3d 666, 674 (7th Cir. 2004) (hours that are adequately documented may be reduced if they were not reasonably expended in the litigation, i.e. "if they are excessive, redundant, or otherwise unnecessary"). To the contrary, The court finds that the requested hours are facially reasonable, particularly in light of the 6.5-hour reduction made above.

Although the matter was hardly groundbreaking from a legal standpoint, it was nevertheless factually complex and required lengthy briefing from both sides. Moreover, when a party makes a claim of unreasonable hours, it generally will submit its own attorneys' billing records for the same matter, if for no other reason than to show that others have done comparable work in less time. Plaintiff's failure to volunteer its billing records for comparison speaks volumes.

With all of the above in mind, the court finds that a claim for 30.6 total hours spent on the matter satisfies the "reasonableness" standard that guides this review. The court will, therefore, subtract 0.5 hours of Attorney David E. Jones's time, at \$576/hour,

and 6 hours of Attorney Manny Caixeiro's time at \$500/hour, for a total subtraction of \$3,288, leaving an award of attorneys' fees in the amount of \$15,394.

B. Docket #216

On December 22, 2011, defendants filed a motion compel discovery, arguing that despite assurances from counsel that plaintiff's production was complete, they had reason to believe there remained multiple, outstanding discovery deficiencies. During a January 6, 2012, hearing, the court (1) determined that plaintiff had not, in fact, produced all of the documents it was obligated to produce; and (2) ordered plaintiff to complete its discovery production by January 13, 2012. When plaintiff failed to comply with this deadline, defendants filed a motion for sanctions. The court ordered plaintiff to pay all of defendants' attorneys' fees and costs incurred in prosecuting this motion for sanctions, as well as those arising out of their related motion to compel and any extra discovery and expert report work created by plaintiff's failure to produce relevant documents timely. (Dkt. #216.) Defendants have filed a request for \$143,650.73 in related fees and costs. (Dkt. #292.) Plaintiff has filed no brief in opposition to this request. Accordingly, the court will award the full amount of requested fees. See *Friemuth v. Fiskars Brands, Inc.*, 681 F. Supp. 2d 985, 988 (W.D. Wis. 2010) ("Defendant has not responded to that argument, which operates as waiver.").

C. Docket #221

On February 29, 2012, defendants filed an expedited motion to strike the declaration of plaintiff's expert Ricky Hussmann, Jr., on the ground that it was untimely and prejudicial. (Dkt. #132.) The court denied the motion to strike, but awarded defendants their fees incurred in connection with taking Mr. Hussmann's deposition and arguing the motion for sanctions. (Dkt. #221.) Defendants responded with a request for a total of \$59,497.55 in fees and costs. (Dkt. #289.) Plaintiff also filed no brief in opposition to this request and the court will award the full amount.

II. Defendants' Motion for Additional Sanctions

On September 9, 2013 -- after final judgment had entered in their favor on the question of patent infringement -- defendants filed a motion for sanctions against plaintiff NorthMobileTech, LLC and its current legal counsel, attorneys at the law firm Michael Best & Friedrich, LLP. The motion seeks reimbursement of all legal fees incurred by defendants throughout the entirety of this lawsuit. As grounds, defendants argue the suit was legally baseless, conducted in bad faith and intended to harass. 35 U.S.C. § 285; 28 U.S.C. § 1927.

A. Legal Standard

i. 35 U.S.C. § 285

"The court in exceptional [patent] cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. It may also award reasonable costs and expenses, such as expert witness fees. *Mathis v. Spears*, 857 F.2d 749, 758-59 (Fed. Cir. 1988).

The purpose of an award under § 285 is to deter the “improper bringing of clearly unwarranted suits,” “to defend the court and the judicial process against abuse,” and “to rectify, at least in part, the injustice done the defendant.” *Id.* at 754.

“When deciding whether to award attorney fees [and costs] under § 285, a district court engages in a two-step inquiry. First, the court must determine whether the prevailing party has proved by clear and convincing evidence that the case is exceptional. . . . If the district court finds that the case is exceptional, it must then determine whether an award of attorney fees is justified.” *MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 915-16 (Fed. Cir. 2012). “Even for an exceptional case, the decision to award attorney fees and the amount thereof are within the district court’s sound discretion.” *Brooks Furniture Mfg., Inc. v. Dutailier Intern., Inc.*, 393 F.3d 1378, 1382 (Fed. Cir. 2005).

“A case may be deemed exceptional under § 285 where there has been willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Federal Rule of Civil Procedure 11, or like infractions.” *Id.* at 916. “Where . . . the alleged infringer prevails in the underlying action, factors relevant to determining whether a case is exceptional include the closeness of the question, pre-filing investigation and discussions with the defendant, and litigation behavior.” *Id.* (internal quotation marks and quotations omitted). That a lawsuit lacks merit is, by itself, grounds for finding a case exceptional, provided that it “is both: (1) brought in subjective bad faith; and (2) objectively baseless.”³ *Id.* “Litigation misconduct and unprofessional behavior . . . may [also]

³ “There is a presumption that the assertion of infringement of a duly granted patent is

suffice, by themselves, to make a case exceptional.” *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1034 (Fed. Cir. 2002).

ii. 28 U.S.C. § 1927

Under 28 U.S.C. § 1927, an attorney who “multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys’ fees reasonably incurred because of such conduct.” To award sanctions, the court must find that the attorney acted in bad faith, *Micrometl Corp. v. Tranzact Tech., Inc.*, 656 F.3d 467, 472 (7th Cir. 2011), and in an “objectively unreasonable manner,” *Jolly Grp., Ltd. v. Medline Indus., Inc.*, 435 F.3d 717, 720 (7th Cir. 2006).

Objectively unreasonable behavior includes pursuing claims that lack a plausible legal basis or “pursu[ing] a path that a reasonably careful attorney would have known, after appropriate inquiry, to be unsound.” *Id.* To this end, the Seventh Circuit Court of Appeals has observed that “[a]ttorneys are under a continuing duty to dismiss a claim that is no longer viable.” *Hess v. Reg-Ellen Mach. Tool Corp.*, 367 Fed. Appx. 687, 691 (7th Cir. 2010) (citing *Jolly Grp., Ltd. v. Medline Indus. Inc.*, 435 F.3d 717, 720 (7th Cir. 2006)). Attorneys who demand outrageous damages, attempt to depose high-ranking corporate officers with little or no connection to the litigation, file “excessive and unnecessary” motions, engage in “extortionate discovery,” and the like, qualify for

made in good faith.” *Brooks Furniture Mfg., Inc. v. Dutailier Intern., Inc.*, 393 F.3d 1378, 1382 (Fed. Cir. 2005). However, “[w]hen the patentee is manifestly unreasonable in assessing infringement, while continuing to assert infringement in court, an inference is proper of bad faith whether grounded in or denominated wrongful intent, recklessness, or gross negligence.” *Eltech Sys., Corp. v. PPG Indus.*, 903 F.2d 805, 811 (Fed. Cir. 1990).

sanctions. See *FM Indus., Inc. v. Citicorp Credit Serv's*, 614 F.3d 335, 338-41 (7th Cir. 2010) (affirming district court award of partial sanctions).

The purpose of § 1927 is to “deter frivolous litigation and abusive practices by attorneys, and to ensure that those who create unnecessary costs also bear them.” *Kapco Mfg. Co. v. C & O Enters., Inc.*, 886 F.2d 1485, 1491 (7th Cir. 1989) (citations omitted). An award is “permissive, not mandatory,” and may take into account the behavior of both sides to a controversy. *Corley v. Rosewood Care Ctr, Inc. of Peoria*, 388 F.3d 990, 1014 (7th Cir. 2004). In assessing a penalty under § 1927, a district court may impose “a penalty as light as a censure or as heavy as is justified.” *Kotsilieris v. Chalmers*, 966 F.2d 1181, 1187-88 (7th Cir. 1992) (applying Rule 11 standards to § 1927 sanction) (citations omitted).

B. Challenges to the Applicability of Both Statutes

i. 35 U.S.C. § 285

Plaintiff argues that defendants’ motion for sanctions under § 285 fails at the outset because it does not comply with Rule 54(d)(2)(B)(iii) of the Federal Rules of Civil Procedure, which mandates that any post-judgment motion for fees “state the amount sought or provide a fair estimate of it.” See *Wedgetail Ltd. v. Huddleston Deluxe, Inc.*, 576 F.3d 1302, 1306 (Fed. Cir. 2009) (suggesting that Rule 54(d)(2)(B)(iii) requirements apply to motions under § 285). Defendants respond that in seeking an award for “millions of dollars” in fees they have complied with their duty to provide the requisite “fair estimate.” Although pushing the boundaries of what constitutes a fair estimate, the

court agrees with that defendants have divulged just enough to put plaintiff and this court on notice that they will be requesting a very large amount in fees and costs, and finds it unjust to disqualify the motion simply because the request was not more specific.

ii. 28 U.S.C. § 1927

Plaintiff also seeks to dismiss defendants' claims under § 1927 on technical grounds, contending that defendants improperly seek claims against the law firm Michael Best & Friedrich, where § 1927 applies to individual attorneys only. See *Claiborne v. Wisdom*, 414 F.3d 715, 724 (7th Cir. 2005) (“[S]ection 1927 does not provide a legal basis for an order of fees against an entity like a law firm that is not itself ‘admitted to practice’ before the tribunal.”). Defendants reply that they intend to hold individual attorneys liable, and that the names of these individuals are absent from their opening brief only because the record already reflects the names of the attorneys responsible for the various filings singled out as vexatious. Defendants go on to name attorneys Gary Ahrens and John Scheller as the principal targets of their motion.

The court agrees with defendants that failure to name these individuals at the outset does not constitute a waiver of § 1927 claims against them. To the extent that defendants' failure to attack the attorneys personally at the outset was the product of an instinct toward civility and restraint, the sentiment is commended. Assuming damages are to be awarded, however, there can be no avoiding the necessity of identifying the specific individuals responsible.

C. Analysis

As to the merits of the general sanctions motion itself, the court will analyze defendants' claims under § 285 and § 1927 in parallel for sake of efficiency and because the two tests are fundamentally similar, each requiring some amount of subjective bad faith or harassment and some amount of objective impropriety to establish liability. Defendants argue both elements are present here by (1) plaintiff's persistence in prosecuting a futile case, and (2) plaintiff's generally vexatious and aggressive conduct throughout litigation.

i. Prosecuting A Futile Case

Defendants argue that plaintiff's case was weak from the start, and essentially finished when the court issued its claim construction order of March 27, 2012, adopting a literal reading of the phrase "determining that said mobile wireless communications device is located at a given shopping facility." (Dkt. #166 at 4-10.) They read the court's claim construction order and its accompanying opinion denying sanctions to entirely foreclose all hope of proving direct infringement and leaving the doctrine of equivalents as plaintiff's only remaining chance of success. Since plaintiff declined to even present a doctrine of equivalents argument at summary judgment, defendants argue that plaintiff had no arguable legal grounds to contest summary judgment at all. Further argument, they say, was obviously futile, vexatious and taken in bad faith, and thus sanctionable, citing *Phonometrics, Inc. v. ITT Sheraton Corp.*, 64 Fed. Appx. 219 (Fed. Cir. 2003) (unpublished), in which the Federal Circuit upheld an award of sanctions against a plaintiff who was "unable to articulate any plausible basis for how the . . . accused systems meet the claim limitation." *Id.* at 221.

While this argument has considerable merit, the court cannot wholly endorse the contention that its “claim construction ruling . . . conclusively foreclosed any reasonable possibility that [plaintiff] could prevail on the merits.” (Dkt. #307 at 1.) As defendants themselves acknowledge, the court invited plaintiff to proceed on a doctrine of equivalents theory, so there was at least *some* basis to continue litigating after the claims construction order -- at least until the point at which plaintiff decided it could or would not rely on a doctrine of equivalents argument. Thus, it is wrong to say that plaintiff should have simply conceded defeat on March 27, because the court had expressly left at least one avenue open to proceed.

Although certainly a long shot given the court’s claims construction, even plaintiff’s direct infringement claim (without an equivalents argument) was not beyond the realm of plausibility. Contrary to defendants’ suggestion, the court never definitively rejected literal infringement at any point before summary judgment. In its opinion denying defendants’ first motion for sanctions -- which did not purport to give anything more than a preliminary analysis of the claims -- the court said only that “it *appears* that the Simon Malls application does not literally infringe upon the ’130 patent.” (Dkt. #166 at 19 (emphasis added).)

This assessment was based on the court’s construction that an infringing server must “come to the conclusion” that the user is located “at” a shopping mall, a construction which, notably, did not answer the secondary question of what it means for a non-sentient computer program to “conclude” anything, let alone whether the conclusion has to be accurate. In other words, the anthropomorphic phrases used in the

patent language and in the court's ensuing claims construction, while readily comprehensible from a human standpoint, turn out to be somewhat unsuited to a close analysis of the actual operations of the accused computer server and the overall Simon System. Indeed, the court struggled with this issue in its summary judgment decision (*see* dkt. #269 at 13-14), acknowledging that the poor fit between patent language and actual practice created some ambiguity that was amenable to creative, non-frivolous argument by plaintiff.⁴ Thus, the court does not find that plaintiff's decision to litigate through summary judgment makes this an exceptional case sanctionable under § 1927 or § 285. See, e.g., *Brooks Furniture Mfg.*, 393 F.3d at 1383 ("Bringing an infringement action does not become unreasonable in terms of § 285 if the infringement can reasonably be disputed.").

ii. Other Litigation Misconduct

In its order denying defendants' first motion for sanctions, this court expressed the hope "that the parties can proceed in a civil manner" and advised that the denial "does not preclude appropriate sanctions being imposed at a later stage of this lawsuit." (Dkt. #166 at 20.) Defendants now contend that plaintiff and its counsel failed to take this order to heart and engaged in a calculated campaign of unnecessary discovery requests and misleading discovery responses, baseless motions, misrepresentation to the court, and excessive settlement demands. Plaintiff responds that it acted reasonably, and that it is

⁴ At the same time, the court flatly rejects plaintiff's contention that the court *modified* its claim construction at summary judgment, unless by "modify" plaintiff means that the court dispelled any arguable ambiguity.

defendants that are guilty of misconduct. The parties' involved arguments on these subjects are summarized below.

a. Unjustified Settlement Demands

First, defendants assert that even if plaintiff was not dealt a mortal blow by the court's claims construction, it should have at least recognized that it was gravely wounded, and engaged in settlement negotiations in good faith, demonstrating some realism about its rapidly dwindling chances of success. Instead, plaintiff and its counsel took the opposite approach and, the court is advised, took more aggressive negotiating positions. In fact, plaintiff went as far as to claim that it had prevailed on claim construction, substantially raised its settlement demands to \$71 million (for a license to the '130 patent) and \$91 million (for the acquisition of the '130 patent). (*See* dkt. #264-1.) Defendants assert that this was a laughably unreasonable position even by the standards of plaintiff's own expert -- since these demands were 90 times higher than plaintiff's own expert's damages calculation and almost 9,000 times higher than defendants' expert's damages calculation. Defendants also assert that plaintiff's counsel *knew* plaintiff could never prove damages anywhere close to those amounts, precluding the possibility that the demands were simply the product of an honest mistake. (*See* dkt. #307 at 16.)

For its part, plaintiff replies that defendants did not even attempt to negotiate or discuss its settlement demands, even when plaintiff reached out with an offer to mediate the case with *no* demand for any specific monetary sum. Plaintiff also justifies the multi-million dollar settlement demands as reasonable in light of (1) a "pilot project" assessing

demand for the patented application and (2) the enormous scope of defendants' retail mall holdings. Finally, plaintiff's counsel adds that its "admission" that the settlement demands lacked factual support was actually an attempt to demonstrate that defendants were withholding key information necessary to calculate potential damages.

b. False Testimony about Prior Offers to License

Second, defendants assert that Ian Gregory Smith, one of the two principals of NorthMobileTech, LLC, provided false testimony at his deposition in an attempt to artificially inflate the amount of damages in this case. Smith testified that four parties had made offers to pay several million dollars for the '130 patent – offers that NorthMobileTech rejected because they were supposedly inadequate. (*See* Smith 12/13/11 Depo., dkt. #141, at 279:2-284:12). It was later revealed, however, that NorthMobileTech never received *any* offer to purchase the patent, but not until defendants spent "tens of thousands of dollars pursuing significant additional discovery in order to assess the veracity of Mr. Smith's testimony." (Dkt. #307 at 9.) Plaintiff responds that Mr. Smith made an innocent mistake, which was corrected both in plaintiff's responses to defendants' interrogatories and in Mr. Smith's subsequent deposition testimony as NorthMobileTech's Rule 30(b)(6) representative.⁵

⁵ Defendants also point out that his retraction did not occur until five months after the initial deposition and two months after the summary judgment deadline, which "in the context of the increasing settlement demands, ... would appear to have been based on this very testimony," putting the burden "not on [defendants] to obtain a 'correction,' but on [plaintiff] and its counsel to correct the record before further pursuing settlement." (Dkt. #317 at 12-13.) The court takes defendants' point, but it would be much sharper had settlement negotiations not wholly broken down after the court's claim construction and plaintiff's outrageous escalation in its settlement demands.

c. Unwarranted Motions to Compel Discovery

Third, defendants assert that in early 2012, soon after their first appearance in this case, plaintiff's counsel "initiated a campaign to manufacture disputes over [defendants'] discovery responses" by writing "multiple accusatory letters" finding deficiencies in "every facet of [defendants'] discovery," without having reviewed all of the available evidence. (Dkt. #307 at 10.) Plaintiff then brought a motion to compel that was denied by Magistrate Judge Crocker, but only after defendants "were forced to spend substantial sums of money, and divert resources from litigating the merits of the case."⁶ (Dkt. #169, at 6.)

Plaintiff responds that its motion to compel was only denied in part, and thus the motion to compel was justified and defendants did not "prevail" in front of Judge Crocker. Plaintiff also contends that it initially made extensive efforts to resolve Simon's discovery deficiencies without court intervention, and notes that there was no judicial determination that the denied portion of the motion to compel was "baseless." It still maintains that defendants' document production was inadequate and that it would have prevailed had its appeal been heard. (Dkt. #316, at 22.)

d. Obstruction of Efforts to Obtain Discovery

Fourth, defendants assert that plaintiff and its counsel acted inequitably in connection with the issuance of letters rogatory for plaintiff's Canadian counsel, Mr. Ronald Faggetter. At deposition, one of plaintiff's principals, Ian Gregory Smith, disclaimed knowledge of certain aspects of the prosecution of the '130 patent and

⁶ Plaintiff subsequently appealed the denial, but this court never reached the merits of that motion, dismissing it as moot in light of its order on summary judgment.

licensing discussions with certain third parties, information which he testified could be obtained from Mr. Faggetter. Defendants' counsel aver that plaintiff's counsel then agreed not to oppose pursuit of letters rogatory to depose Mr. Faggetter. Subsequently, plaintiff's counsel made an about-face and disclaimed any such agreement. As a result, Mr. Faggetter did not agree to appear for deposition and he successfully opposed the letters rogatory, forcing defendants to pay \$10,000 for his fees and costs under Canada's "loser pays" rule. Plaintiff, in turn, characterizes this argument as an improper request for this court to review of the decision of the Canadian court, asserts that its counsel never promised to support the letters rogatory, and contends that it never opposed the issuance of the letter rogatory by this court.

e. Unnecessary Depositions

Fifth, defendants assert that late in discovery, plaintiff "began to notice unnecessary depositions that could have no other purpose than to harass." (Dkt. #307, at 13.) These included (1) a noticed (but never carried out) deposition of defendants' in-house litigation attorney, Jack Boyd, who "had been directly involved in formulating [defendants'] legal strategies and was privy to substantial privileged information and work product, but had no admissible, non-privileged knowledge regarding the facts of the case," and (2) the actual deposition of defendants' software vendor, VML, Inc., even though plaintiff and its experts had long had access to the source code for the Simon App and VML, Inc. had not seen the code for two years. (*Id.*) Defendants contend that this was "unnecessary, redundant at best, and needlessly expensive." (*Id.* at 14.)

Plaintiff responds that the record does not support a claim of abusive deposition practice, noting that in total, it only deposed four Simon witnesses, two Simon experts and one third party. Plaintiff also explains that the “deposition of VML, Inc. was precipitated by [defendants’] repeated and unwarranted attacks on [plaintiff] and its expert for not having an intimate understanding of the inner-workings of the Simon Server.” (Dkt. #316, at 26.) As for the noticed deposition of Mr. Boyd, plaintiff points out that he was not trial counsel, and that defendants had proposed to use Boyd against plaintiff as a fact witness, which in itself demanded a deposition.

f. Misrepresentations to the Defendant and the Court

Sixth, defendants contend that plaintiff has engaged in serial misrepresentations to defendants and the court in an effort to raise the specter of expensive litigation and force defendants into settling a meritless suit. On April 19, 2011, Mr. Smith and defendants’ Assistant General Counsel participated in a telephone call in which Mr. Smith allegedly “attempted to induce [defendants] to take a license to the ’130 patent by making the misrepresentation that [plaintiff] had already filed a patent infringement lawsuit against [defendant] in the Western District of Wisconsin.” (Dkt. #307 at 15.) When the court was alerted to this in defendants’ first motion for sanctions, it declined to sanction plaintiff for this conduct but, as mentioned above, it did order the parties to be on their best behavior.

On May 25, 2012, plaintiff’s counsel brought a motion for a protective order seeking to excuse Ian Gregory Smith from appearing in Madison for a Rule 30(b)(6) deposition. Magistrate Judge Crocker ultimately rejected the motion, but defendants

contend that plaintiff's counsel made the motion without actually checking to see if Mr. Smith would be available to testify in Madison. Defendants call this another example of bad faith litigation tactics, and perhaps even submission of a false declaration to the court. Defendants also identify a similar incident where plaintiff's counsel filed a motion seeking an extension of the deadline to file an expert report because defendants had allegedly delayed producing necessary confidential information, although the expert had never required, or even requested, this information.

Plaintiff responds that its counsel did check with Mr. Smith, and that defendants' argument is based on a misunderstanding of Smith's deposition testimony. As for the request for an extension of the deadline to file an expert report, plaintiff asserts that its motion was actually made on behalf of three experts largely because plaintiff was unable to determine if the experts would need this information -- in other words, plaintiff "had no way of knowing whether any of its experts would want to discuss the protected information with any of its other experts until disclosure was made." (Dkt. #316, at 35.)

III. Additional Sanctions

In considering whether to award sanctions against plaintiff or its counsel for these six types of litigation misconduct asserted by defendants, the court begins by commending all counsel for remaining fairly civil in their communications with each other and with this court, despite the undeniable frustrations and high stakes involved. When sanctions are awarded, it is often because the parties add/or their attorneys fail to keep a lid on their emotions. See, e.g., *Kapco Mfg. Co., Inc. v. C & O Enter., Inc.*, 886 F.2d

1485, 1496 (7th Cir. 1989) (affirming award of sanctions against attorney whose correspondence was “filled with invective” and who “evidenced a disregard for the court’s proceedings by arriving late at a scheduled hearing”). Thankfully, both the parties and their counsel generally exhibited the appropriate decorum to each other and this court.

The court has harsher words to describe some of the tactics exhibited throughout the course of this litigation, particularly in the discovery phases. While neither side was completely blameless, the record of three consecutive sanction awards shows that plaintiff and/or its counsel was the primary culprit, as does much of the misconduct summarized above. This litigation bears traces of what can be fairly characterized as harassing and cynical conduct by plaintiff NorthMobileTech, LLC and its principals, the kind of behavior “a litigant undertakes when it hopes to be paid to go away and spare opponents the expense of vindicating their rights.” *FM Indus., Inc. v. Citicorp Credit Serv’s, Inc.*, 614 F.3d 335, 339 (7th Cir. 2010).

Still, the court finds plaintiff’s conduct as a whole falls just short of “exceptional,” as that term is defined by 35 U.S.C. § 285. Perhaps it only seems unexceptional because the court’s senses are dulled by past experience with strike suits initiated by patent trolls and other “non-practicing-entities” – at any rate, the court declines to shift onto plaintiff the “millions of dollars” of attorneys’ fees and costs that make up defendants’ request for sanctions. Likewise, the court concludes that judging the litigation as a whole, the conduct of plaintiff’s chief counsel, Gary Ahrens and John Scheller, does not reflect a “serious and studied disregard for the orderly process of justice,” which is required to

shift all of the costs of litigation onto these attorneys pursuant to 28 U.S.C. § 1927. *Overnite Transp. Co. v. Chi. Indus. Tire Co.*, 697 F.2d 789, 795 (7th Cir. 1983).

This still leaves open the option of issuing a partial award against plaintiff or its counsel based on specific instances of truly “exceptional” misconduct, provided that there is some way to create a sanction that equates to a “carefully measured response to the sanctioned conduct.” *Kapco Mfg. Co., Inc. v. C & O Enter., Inc.*, 886 F.2d 1485, 1496 (7th Cir. 1989). To this end, the court considers the six instances of improper litigation conduct that defendants believe warrant sanctions.

Right at the outset, the court holds that it will not grant sanctions for discovery abuses. These matters are highly fact-intensive, and it is exponentially easier to award sanctions during discovery rather than months after the fact on a cold record. As the first half of this opinion amply demonstrates, the court has not been shy about awarding sanctions during discovery and that is when all related motions for sanctions should have been sought. Thus, the court will not entertain requests to issue discrete sanctions based on defendants’ allegations that plaintiff: (1) took unnecessary depositions, (2) obstructed efforts to obtain discovery, (3) made misrepresentations to the court in motions for protective orders, and (4) filed unwarranted motions to compel discovery. This leaves only the assertions that plaintiff and its counsel made unjustified settlement demands and that Ian Gregory Smith offered false testimony in his initial deposition about prior offers to license.

With respect to the first assertion, the court struggles to understand plaintiff’s tactic of *increasing* its damages demands and pursuing a very aggressive negotiation

posture after a largely adverse claims construction by the court. However, the court has already found that plaintiff still had a non-frivolous infringement argument at that point, and because the law does not place any obligation on parties to settle their cases, the court is not prepared to sanction plaintiff for, effectively, declining to enter into serious settlement discussions at that point. Reality is sanction enough: defendants called plaintiff's bluff and plaintiff will receive nothing from this litigation except a lot of bills to pay. Similarly, the court will not sanction plaintiff's counsel. Hyper-aggressive settlement posturing is not, strictly speaking, a behavior that "multiplies the proceedings" – it merely prevents the proceedings from coming to an early end.

As for the second assertion, the court finds it implausible (if not laughable) that Mr. Smith would somehow be confused or forgetful about the difference between *receiving* several multi-million-dollar offers for the patent (his initial testimony) and *offering* to sell his product for that amount, only to be rebuffed (what actually happened). Moreover, this was the sort of reckless disregard for the truth -- which was both critically important and self-serving -- that this court has every reason to discourage. As a result, even if Mr. Smith somehow was genuinely and honestly mistaken, he had the obligation to immediately look into and correct the false testimony on his own. Defendants represent that they spent "tens of thousands of dollars pursuing significant additional discovery in order to assess the veracity of Mr. Smith's testimony." (Dkt. #307 at 9.) The court will, therefore, award defendants \$150,000 for their costs and fees incurred in pursuing this discovery, with any amount above their actual costs operating as a sanction to deter such conduct in the future. The court awards this admittedly-sizable, liquidated amount

against plaintiff only because (1) plaintiff's current counsel were not the attorneys of record at the time of the deposition and they provided the ultimately truthful response to defendants' follow-up interrogatory, albeit five months later; and (2) any lesser amount strikes the court as inadequate when considering plaintiff's other sanctioned and, ultimately, unsanctioned misconduct here.

ORDER

IT IS ORDERED that:

- 1) defendants' first itemized request for fees (dkt. #207) is GRANTED in the amount of \$15,394;
- 2) defendants' second itemized request for fees (dkt. #289) is GRANTED in the amount of \$143,650.73;
- 3) defendants' third itemized request for fees (dkt. #292) is GRANTED in the amount of \$59,497.55;
- 4) defendants' motion for general sanctions (dkt. #307) is GRANTED IN PART with an award of \$150,000 against plaintiff;
- 5) the clerk of court is ordered to enter judgment in favor of defendants against plaintiff for total sanctions in the amount of \$368,542.28; and
- 6) the clerk of the court is further directed to close this case.

Entered this 21st day of May, 2013.

BY THE COURT:

/s/

WILLIAM M. CONLEY
District Judge